

Property Tax Payments, 2002-2003

- Fayette County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Fayette County from \$4.3 Million in 2002 to \$7.9 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Fayette County, state tax credits

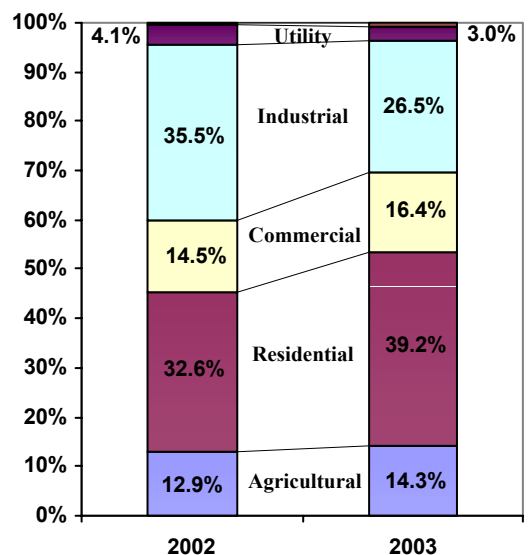
Table 1. Changes in AV and Tax Bills by Property Class for Fayette County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	91.0%	78.8%	28.5%
Residential (All)	111.5%	72.8%	39.9%
Homestead Only	115.7%	64.2%	30.8%
Commercial	50.9%	53.5%	31.0%
Industrial	5.7%	-9.8%	-13.8%
Utility	-7.0%	-3.7%	-13.8%
Avg. All Classes	62.7%	43.9%	16.4%

increased from \$4.3 million to \$7.9 million, an increase of \$3.6 million. This paper provides a brief summary of how these factors changed property tax liabilities in Fayette County.

Tax Shifts. Fayette County saw a property tax shift from industrial and utility property owners to residential, agricultural, and commercial property owners. Tax bills paid by residential, agricultural, and commercial property owners increased substantially, while tax bills paid by industrial and utility property owners decreased. (see Table 1). [Restructuring incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] A local adjustment in 2003 to correct for a missed 2002 tax abatement caused higher 2003 tax rates and was a significant contributing factor to the tax increases in Fayette County. The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential, agricultural, and commercial property increased more than the AV's of industrial and utility property. Gross assessed values of

Figure 1. Share of Net Property Tax Billings in Fayette County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

agricultural and residential property approximately doubled. Commercial assessments increased by about half. Industrial assessments rose less, and utility assessments actually declined. These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Fayette County saw their tax bills increase by a smaller amount than the average residential property increase. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

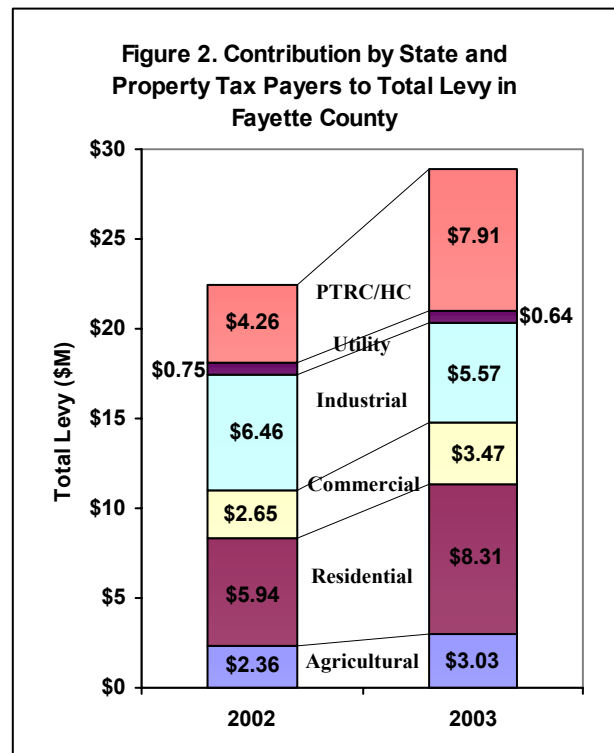
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Fayette County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, many more homestead owners also saw increases rather than decreases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Fayette County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	82.9%	73.2%	75.8%	61.9%
Decreased	17.1%	26.8%	24.2%	38.1%
Increased 100% or More	29.7%	16.5%	21.4%	12.4%
Decreased 25% or More	4.9%	7.4%	7.9%	12.0%
Average Change (\$)	\$242	\$176	\$158	\$84
Average Change (%)	42.5%	24.4%	27.7%	11.7%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, three-quarters of all residential property owners would have seen tax increases. For homesteads, 62% would have seen tax increases while 38% would have seen decreases. The adjustment for the missed 2002 abatement contributed to the significant tax increases in 2003.

Agriculture. Taxes on agricultural property in Fayette County rose. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.



Business. Taxes on industrial and utility property fell in Fayette County because net assessed values declined while residential, agricultural, and commercial assessments rose. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment changed business assessments less. The general rise in assessed values in Fayette County reduced tax rates, and this cut tax bills for owners of property with assessment decreases or smaller assessment increases, like industry and utilities.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Fayette County by PTRC and state homestead credit payments increased by approximately 86%, from \$4.3 million to \$7.9 million.

Table 3 shows estimates of how Fayette County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have almost doubled, while tax increases for agricultural property owners would have been large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of the tax increases for agricultural and residential property owners. Fayette County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the unusually large increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. PTRC payments were larger, but payments were eliminated for personal property, which meant that restructuring increased business tax payments. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Fayette County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	44.4%	28.5%	-15.9%
Residential (All)	92.1%	39.9%	-52.2%
Homestead Only	109.3%	30.8%	-78.5%
Commercial	29.0%	31.0%	1.9%
Industrial	-22.0%	-13.8%	8.2%
Utility	-28.1%	-13.8%	14.3%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in AV, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Fayette County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	491,785,690	102,396,592	273,834,575	214,881,056	63,701,953	44,142,472	2,443,989
Real Deductions	57,778,212	5,792,012	45,346,499	45,346,499	2,298,339	218,757	5,044
Real Net Assessed Value	434,007,478	96,604,580	228,488,076	169,534,557	61,403,614	43,923,715	2,438,945
Personal Gross Assd. Value	269,058,617	10,777,850	2,400,500	0	25,818,518	204,542,449	25,519,300
Personal Deductions	58,993,472	0	5,620	0	5,532,998	52,497,275	957,579
Personal Net Assd. Value	210,065,145	10,777,850	2,394,880	0	20,285,521	152,045,174	24,561,721
Total Gross Assessed Value	760,844,307	113,174,442	276,235,075	214,881,056	89,520,471	248,684,921	27,963,289
Total Deductions	116,771,684	5,792,012	45,352,119	45,346,499	7,831,337	52,716,032	962,623
Total Net Assessed Value	644,072,623	107,382,430	230,882,956	169,534,557	81,689,135	195,968,889	27,000,665
Gross Levy	22,444,195	2,852,362	7,721,697	5,584,077	3,179,416	7,756,716	890,979
PTRC (Calculated)	3,664,253	434,710	1,249,761	900,735	530,558	1,298,333	143,764
State/County Homestead Cr. (Calculated)	592,642	60,121	532,520	532,520	0	0	0
Net Levy	18,187,300	2,357,531	5,939,416	4,150,822	2,648,858	6,458,383	747,215
Pay 2003							
Real Gross Assessed Value	951,789,700	204,166,336	581,748,852	463,582,081	104,824,196	44,272,384	2,894,370
Real Deductions	222,804,368	24,173,784	185,197,041	185,197,041	4,201,147	3,163,773	21,748
Real Net Assessed Value	728,985,332	179,992,552	396,551,811	278,385,040	100,623,049	41,108,611	2,872,622
Personal Gross Assd. Value	286,450,600	12,004,730	2,412,560	0	30,299,521	218,612,559	23,121,230
Personal Deductions	88,441,997	0	615	0	5,550,670	82,890,711	0
Personal Net Assd. Value	198,008,603	12,004,730	2,411,945	0	24,748,851	135,721,847	23,121,230
Total Gross Assessed Value	1,238,240,300	216,171,066	584,161,412	463,582,081	135,123,717	262,884,943	26,015,600
Total Deductions	311,246,365	24,173,784	185,197,656	185,197,041	9,751,817	86,054,484	21,748
Total Net Assessed Value	926,993,935	191,997,282	398,963,756	278,385,040	125,371,899	176,830,458	25,993,852
Gross Levy	29,073,626	4,437,286	12,522,473	8,587,255	4,529,983	6,594,147	774,893
PTRC (Calculated)	7,026,297	1,331,327	3,413,755	2,355,298	1,060,469	1,028,544	130,679
State/County Homestead Cr. (Calculated)	879,360	77,674	801,686	801,686	0	0	0
Net Levy	21,167,969	3,028,285	8,307,032	5,430,270	3,469,514	5,565,603	644,214
COMPARISONS							
Net Levy Percent Change	16.4%	28.5%	39.9%	30.8%	31.0%	-13.8%	-13.8%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	93.5%	99.4%	112.4%	115.7%	64.6%	0.3%	18.4%
Gross Personal AV	6.5%	11.4%	0.5%	0.0%	17.4%	6.9%	-9.4%
Total Gross Assessed Value	62.7%	91.0%	111.5%	115.7%	50.9%	5.7%	-7.0%
Net Assessed Value	43.9%	78.8%	72.8%	64.2%	53.5%	-9.8%	-3.7%
Gross Levy	29.5%	55.6%	62.2%	53.8%	42.5%	-15.0%	-13.0%
Net Levy	16.4%	28.5%	39.9%	30.8%	31.0%	-13.8%	-13.8%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	3,668,135	7,026,492	3,358,356	91.6%			
State Homestead Cr. (Abstract)	591,899	886,909	295,010	49.8%			
Total State Credits (Abstract)	4,260,034	7,913,400	3,653,366	85.8%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Fayette County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	2,357,531	3,028,285	670,754	28.5%	12.9%	14.3%	1.3%
Residential	5,939,416	8,307,032	2,367,616	39.9%	32.6%	39.2%	6.6%
Commercial	2,648,858	3,469,514	820,656	31.0%	14.5%	16.4%	1.8%
Industrial	6,458,383	5,565,603	-892,780	-13.8%	35.5%	26.3%	-9.2%
Utility	747,215	644,214	-103,001	-13.8%	4.1%	3.0%	-1.1%
Exempt	19,986	15,878	-4,108	-20.6%	0.1%	0.1%	0.0%
Undefined	35,898	153,321	117,423	327.1%	0.2%	0.7%	0.5%
Total	18,207,287	21,183,847	2,976,560	16.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	2,115,298	2,807,779	692,481	32.7%	11.6%	13.3%	1.6%
Residential	5,877,708	8,259,333	2,381,625	40.5%	32.3%	39.0%	6.7%
Commercial	2,001,133	2,685,342	684,209	34.2%	11.0%	12.7%	1.7%
Industrial	1,444,073	1,132,241	-311,832	-21.6%	7.9%	5.3%	-2.6%
Utility	64,052	55,871	-8,181	-12.8%	0.4%	0.3%	-0.1%
Exempt	19,986	15,878	-4,108	-20.6%	0.1%	0.1%	0.0%
Undefined	35,898	153,321	117,423	327.1%	0.2%	0.7%	0.5%
Total	11,558,148	15,109,765	3,551,617	30.7%	63.5%	71.3%	7.8%
Agricultural Homesteads	918,109	1,152,815	234,706	25.6%	5.0%	5.4%	0.4%
Residential Homesteads	4,150,822	5,430,270	1,279,448	30.8%	22.8%	25.6%	2.8%
Total Homesteads	5,068,931	6,583,085	1,514,154	29.9%	27.8%	31.1%	3.2%
Non-Homestead Residential	1,726,886	2,829,062	1,102,176	63.8%	9.5%	13.4%	3.9%
Apartments (Over 4 Units)	367,499	696,308	328,809	89.5%	2.0%	3.3%	1.3%
<u>Personal Property Only</u>							
Agricultural	242,233	220,506	-21,727	-9.0%	1.3%	1.0%	-0.3%
Residential	61,708	47,699	-14,009	-22.7%	0.3%	0.2%	-0.1%
Commercial	647,725	784,172	136,447	21.1%	3.6%	3.7%	0.1%
Industrial	5,014,310	4,433,363	-580,947	-11.6%	27.5%	20.9%	-6.6%
Utility	683,162	588,343	-94,819	-13.9%	3.8%	2.8%	-1.0%
Total	6,649,138	6,074,083	-575,055	-8.6%	36.5%	28.7%	-7.8%
Total Depreciables	5,554,375	4,626,810	-927,565	-16.7%	30.5%	21.8%	-8.7%
Total Inventory	1,033,055	1,399,573	366,518	35.5%	5.7%	6.6%	0.9%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,197,189	1,654,964	457,775	38.2%	6.6%	7.8%	1.2%
Ag Personal	242,233	220,506	-21,727	-9.0%	1.3%	1.0%	-0.3%
Total Ag Business	1,439,422	1,875,470	436,048	30.3%	7.9%	8.9%	0.9%
Ag Homesteads	918,109	1,152,815	234,706	25.6%	5.0%	5.4%	0.4%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Fayette County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	107,382,430	191,997,282	84,614,852	78.8%	16.7%	20.7%	4.0%
Residential	230,882,956	398,963,756	168,080,800	72.8%	35.8%	43.0%	7.2%
Commercial	81,689,135	125,371,899	43,682,764	53.5%	12.7%	13.5%	0.8%
Industrial	195,968,889	176,830,458	-19,138,431	-9.8%	30.4%	19.1%	-11.3%
Utility	27,000,665	25,993,852	-1,006,813	-3.7%	4.2%	2.8%	-1.4%
Exempt	654,810	661,391	6,581	1.0%	0.1%	0.1%	0.0%
Undefined	1,148,548	7,836,687	6,688,139	582.3%	0.2%	0.8%	0.7%
Total	644,727,433	927,655,325	282,927,892	43.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	96,604,580	179,992,552	83,387,972	86.3%	15.0%	19.4%	4.4%
Residential	228,488,076	396,551,811	168,063,735	73.6%	35.4%	42.7%	7.3%
Commercial	61,403,614	100,623,049	39,219,435	63.9%	9.5%	10.8%	1.3%
Industrial	43,923,715	41,108,611	-2,815,104	-6.4%	6.8%	4.4%	-2.4%
Utility	2,438,945	2,872,622	433,677	17.8%	0.4%	0.3%	-0.1%
Exempt	654,810	661,391	6,581	1.0%	0.1%	0.1%	0.0%
Undefined	1,148,548	7,836,687	6,688,139	582.3%	0.2%	0.8%	0.7%
Total	434,662,288	729,646,723	294,984,435	67.9%	67.4%	78.7%	11.2%
Agricultural Homesteads	43,482,895	76,788,210	33,305,315	76.6%	6.7%	8.3%	1.5%
Residential Homesteads	169,534,557	278,385,040	108,850,483	64.2%	26.3%	30.0%	3.7%
Total Homesteads	213,017,452	355,173,250	142,155,798	66.7%	33.0%	38.3%	5.2%
Non-Homestead Residential	58,953,519	118,166,771	59,213,252	100.4%	9.1%	12.7%	3.6%
Apartment (Over 4 Units)	11,257,565	26,478,372	15,220,807	135.2%	1.7%	2.9%	1.1%
<u>Personal Property Only</u>							
Agricultural	10,777,850	12,004,730	1,226,880	11.4%	1.7%	1.3%	-0.4%
Residential	2,394,880	2,411,945	17,065	0.7%	0.4%	0.3%	-0.1%
Commercial	20,285,521	24,748,851	4,463,330	22.0%	3.1%	2.7%	-0.5%
Industrial	152,045,174	135,721,847	-16,323,327	-10.7%	23.6%	14.6%	-9.0%
Utility	24,561,721	23,121,230	-1,440,491	-5.9%	3.8%	2.5%	-1.3%
Total	210,065,146	198,008,603	-12,056,543	-5.7%	32.6%	21.3%	-11.2%
Total Depreciables	174,980,066	150,721,296	-24,258,770	-13.9%	27.1%	16.2%	-10.9%
Total Inventory	32,690,199	44,875,362	12,185,163	37.3%	5.1%	4.8%	-0.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	53,121,685	103,204,342	50,082,657	94.3%	8.2%	11.1%	2.9%
Ag Personal	10,777,850	12,004,730	1,226,880	11.4%	1.7%	1.3%	-0.4%
Total Ag Business	63,899,535	115,209,072	51,309,537	80.3%	9.9%	12.4%	2.5%
Ag Homesteads	43,482,895	76,788,210	33,305,315	76.6%	6.7%	8.3%	1.5%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Fayette County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	125%	85%	48%	33%
Comparable Residential Real Prop.	116%	76%	43%	28%
Comparable Homesteads	111%	58%	24%	12%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	345	3.5%	201	3.4%	267	2.7%	164	2.8%
200% to	300%	491	5.1%	172	2.9%	288	3.0%	123	2.1%
100% to	200%	2,049	21.1%	601	10.2%	1,526	15.7%	441	7.5%
50% to	100%	1,993	20.5%	935	15.9%	1,936	19.9%	699	11.9%
25% to	50%	1,164	12.0%	878	14.9%	1,351	13.9%	808	13.7%
10% to	25%	933	9.6%	824	14.0%	844	8.7%	683	11.6%
5% to	10%	325	3.3%	311	5.3%	331	3.4%	293	5.0%
0 to	5%	763	7.8%	395	6.7%	822	8.5%	437	7.4%
0 to	-5%	304	3.1%	297	5.0%	390	4.0%	369	6.3%
-5% to	-10%	244	2.5%	233	4.0%	366	3.8%	355	6.0%
-10% to	-25%	632	6.5%	616	10.5%	839	8.6%	818	13.9%
-25% to	-50%	410	4.2%	398	6.8%	668	6.9%	648	11.0%
Below	-50%	68	0.7%	33	0.6%	93	1.0%	56	1.0%
		9,721	100.0%	5,894	100.0%	9,721	100.0%	5,894	100.0%
Parcels With Increases		8,063	82.9%	4,317	73.2%	7,365	75.8%	3,648	61.9%
Parcels With Reductions		1,658	17.1%	1,577	26.8%	2,356	24.2%	2,246	38.1%
Average \$ Change		\$242		\$176		\$158		\$84	
Average % Change		42.5%		24.4%		27.7%		11.7%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.